

SUBCOMMITTEE NO. 3

Health, Human Services, Labor & Veteran's Affairs

Agenda

Chair, Senator Elaine K. Alquist
Senator Alex Padilla
Senator Dave Cogdill



Agenda – Part B

Thursday, May 3, 2007
9:00 am
Room 3191
(Consultant: Bryan Ehlers)

Vote-Only Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
8955	Department of Veterans Affairs.....	2

Discussion Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
8955	Department of Veterans Affairs.....	4

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8950 Department of Veterans Affairs

The California Department of Veterans Affairs (CDVA) has three primary objectives: (1) to provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) to afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) to provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds available through Proposition 16 (2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy, Fresno, and Redding.

The Governor's budget funds 1,608.6 positions (including 8.0 new positions) and budget expenditures of \$349 million for the department, including the veterans' homes.

For the three veterans' homes, the Governor proposes a four percent funding increase, as shown below.

Home	Funding 2006-07*	Proposed Funding 2007-08*
Yountville	\$82,333	\$85,172
Barstow	15,535	18,303
Chula Vista	26,348	26,020
TOTALS	\$124,216	\$129,495

(*dollars in thousands)

VOTE-ONLY AGENDA:

Vote-Only Issue 1: BCP – Position Funding Alignment

The CDVA requests 25.0 full-time positions and \$2.8 million in ongoing General Fund.

Staff Comments: The requested positions were previously special funded under the Farm and Home Program; however, they were realigned to the General Fund in 2006-07 due to a significant decline in program activity. During last year's hearings, the CDVA was unable to provide adequate justification to keep the positions and funding on a permanent basis, and Provision 1 of Item 8955-001-0001 was adopted as part of the Budget Act of 2006, to require the CDVA to bring forth a more thorough-going workload analysis in the 2007-08 budget cycle.

This request reflects the above requirement, and contains workload data intended to document the ongoing need for the 25.0 positions. When this issue was heard in a previous hearing, staff noted concern regarding the analytical basis for the data submitted and the Chair requested the CDVA to continue working with staff to verify the accuracy of the workload provided. The CDVA subsequently provided additional data addressing staff concerns.

Vote-Only Issue 2: Finance Letter – Veteran’s Quality of Life Fund

The CDVA requests a one-time appropriation of \$110,000 from the Veterans Quality of Life Fund (Fund) so that these monies can be distributed to the veterans’ homes for discretionary use as determined by the residents. The Fund was created under Chapter 143, Statutes of 2005 (AB 357 – S. Horton) as a depository for voluntary contributions made by taxpayers in excess of their tax liability. Statute requires a legislative appropriation for dispersal of the funds to veterans’ homes, and the amount requested reflects the approximate balance in the fund as of June 30, 2006.

Staff Comments: The requested appropriation represents the approximate balance in the Fund as of June 30, 2006, and the CDVA indicates there is no advantage to delaying the appropriation of these funds. Based on the proportional number of residents at each of the three veterans’ homes, the funds would be divided as follows:

Yountville: (67 percent)
Chula Vista: (23 percent)
Barstow: (10 percent)

STAFF RECOMMENDATION ON VOTE-ONLY ITEMS: APPROVE Vote-Only Issues 1 and 2.

VOTE on Vote-Only Issues 1 and 2:

DISCUSSION AGENDA:

CDVA Issue 1: Finance Letter – Consolidation of Veterans Homes Appropriations

The CDVA requests consolidation of the appropriations for the three existing Veterans Homes with the Veterans Home Division staff appropriations into a single departmental organization code (currently there are four). This proposal represents a net zero transfer, and is intended to greatly simplify the CDVA budget process while maintaining the transparency of expenditures at each home.

Staff Comments: Historically, the CDVA headquarters (HQ) and the Veterans Home of California -Yountville (VHC-Y), which was founded in 1884, maintained separate budgets. As CDVA operations expanded with the opening of the Veterans Home of California – Barstow (VHC-B) and the Veterans Home of California – Chula Vista (VHC – CV), the segregated budget structure was maintained, with each of the four entities receiving a separate appropriation under a distinct organization code. Although this arrangement provides budget transparency and allows each home considerable discretion over its spending, there are significant downsides. For example, in the event a home needs to spend less than budgeted in any given year, but another home experiences an emergency and needs to spend more, the CDVA may not transfer the savings from one appropriation to avoid a deficiency in the other. Additionally, the separate appropriations create significant workload to account for expenses since invoices for goods for all homes have to be split so that the State Controller's Office can issue multiple checks to a single vendor for the same service or commodity. Besides adding to staff workload, such practices increase the chance for budgeting and accounting errors. The CDVA notes concern that as the number of veterans' homes increases in the coming years with the imminent addition of the three homes comprising the Greater Los Angeles/Ventura Counties veterans' home project (GLAVC), and the proposed addition of homes in Fresno and Redding, the existing budget structure will become increasingly untenable. The CDVA also notes that this proposal would support the corrective action plan recently submitted to the Legislature because of budgetary errors and inconsistencies during the 2006-07 budget process.

Under the consolidation plan, all veterans' homes would be funded within the same appropriation; however, each veterans' home budget would be displayed as a separate "element." This would allow the entire CDVA budget to be viewed as a whole and maintain the transparency of each Home's budget, but would also provide new flexibility (under Control Section 26.00 of the Budget Act) for the CDVA to transfer funds between homes as needed. Staff notes that Control Section 26.00 requires the Director of Finance to approve all such transfers, requires Finance to report each year to the Legislature on the transfers made, limits individual transfer amounts to no more than \$200,000 without 30-day notice to the Legislature, and limits the total annual amount that may be transferred. Thus, the consolidation plan would not necessarily place the budget of any veteran home in danger of being plundered for the benefit of another. To the contrary, CDVA staff indicate transfer requests would be reserved for unanticipated emergencies, and the veterans' homes would be expected to manage to their resources.

On an administrative level, this request would necessarily provide greater "power of the purse" to HQ. For example, as proposed, the Budget Office (at HQ) would be

responsible for allocating the appropriate funds to each Home (either on a quarterly basis or annually with a reserve), and monitoring each Home's expenditures. On a monthly basis, the Budget Office would coordinate with the Home administrators in reviewing the allocations and ensuring that they were adequate for the Home's needs. By way of comparison, the homes currently spend out of their own appropriations at any rate they see fit and HQ has responsibility, but limited power, to manage the departments' resources effectively.

Despite the apparent necessity of providing HQ with the increased authority to efficiently administer the budgeting and accounting of the growing number of veterans' homes, staff notes concern that the CDVA is not fully prepared to exercise this authority. That is, questions remain as to whether the department has a plan to address the organizational shift that would necessarily occur when decisions that were formerly based at the homes need to be made at HQ. For example, if disagreements arise between the Budget Office and the Home administrators when savings at one home are needed to fund an emergency at another home, who would break the deadlock? The CDVA provided staff with a transitional plan "Executive Summary," but will need to demonstrate to the Subcommittee that it has thought through the implications of this proposal and has a plan (and the staff to implement it) to address any challenges.

Questions:

1. Does the CDVA have a completed, written transition plan for the consolidation? Besides the basic consolidation of the budgeting and accounting operations, what other changes are necessary for the CDVA to implement this proposal?
2. The CDVA provided staff with a proposed organization chart reflecting the need for additional positions in Administrative Services. The department indicated these positions would be requested in a subsequent BCP either as part of the GLAVC project or in a separate proposal. What is the expected nature of this "separate proposal?" Is it linked to the department's corrective action plan for its budget office? If so, how will the CDVA effectively implement the consolidation plan in the absence of these positions?

Staff Recommendation: HOLD OPEN and request the CDVA to work with staff and the LAO to provide additional information on the department's transition plan.

VOTE:

CDVA Issue 2: Finance Letter – Professional Medical Services

The CDVA requests 5.0 permanent positions (Certified Nursing Assistants) and \$325,000 ongoing General Fund to address workload increases in 1-to-1 care at the Yountville veteran's home

Staff Comments: The CDVA indicates that existing staffing levels have allowed the Veterans' Home of California – Yountville (VHC-Y) to "marginally" meet Department of Health Services-mandated nursing staff-to-patient ratios; however, a recent policy shift within the medical profession toward a "restraint free" environment has significantly

increased the demand for 1-to-1 care, resulting in approximately 150 more overtime shifts per month.

According to the CDVA, the new “restraint free” policy for confused and demented residents was introduced over the last three years and applies to both physical and chemical restraints. The new standard requires anywhere from one-to-one Certified Nurse Assistant (CNA) care (at the high end) to the addition of a single CNA per nursing ward who acts as a “hall monitor.”

The new “restraint free” policy prioritizes and seeks to safeguard the dignity of veterans’ home residents, and the Legislature wants to support this goal. However, staff is not aware of any other state departments requesting additional resources in order to institute “restraint free” practices. Rather, other departments have instituted these policies within existing resources. The Subcommittee will want the CDVA to clarify the steps it has taken to implement its “restraint free” policy.

Questions:

1. What was the historic incidence of the VHC-Y’s use of restraints (prior to the introduction of the “restraint free” policy)?
2. What is the incidence in the use of restraints now (if more than zero)? How does the VHC-Y measure this?
3. What standards and accountability measures has the VHC-Y instituted to promulgate the “restraint free” policy?
4. What training program does the CDVA have in place for the implementation of the “restraint free” policy?
5. Has the CDVA consulted or coordinated with other agencies (for example, the Department of Mental Health) in the implementation of its “restraint free” measures, standards, or training?
6. Why is the VHC-Y’s “restraint free” policy now threatened, and how did this request arise as a spring instead of a fall issue? Why is the CDVA different from other state departments in requiring more resources to institute a “restraint free” policy?

Staff Recommendation: HOLD OPEN.

VOTE:

<p>CDVA Issue 3: Finance Letter – Increase Resources to Address Deferred Infrastructure Repairs and Maintenance</p>
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The CDVA requests 8.0 one-year limited-term positions and \$1.9 million one-time General Fund to address deferred repair and maintenance required to maintain health and safety at the veterans’ homes. Of the total request, \$1 million is proposed for maintenance and repairs at the Veterans’ Home of California – Yountville (VHC-Y), \$100,000 for improvement to wheelchair ramps at the Veteran’s Home of California - Chula Vista (VHC-CV), and the remaining \$800,000 is for Operating Expenses & Equipment (OE&E) associated with the requested staff. Following completion of a VHC-Y study funded by the Budget Act of 2006 and due out in late 2007, the CDVA

anticipates developing an ongoing program to address infrastructure repairs and deferred maintenance.

Staff Comments: The CDVA indicates the practice of “deferred maintenance” was developed at the VHC-Y during recession years and has continued for decades, eventually expanding to the Barstow and Chula Vista homes. Typically, costly infrastructure maintenance and repair projects were put on hold, with only direct patient care issues receiving attention. According to the CDVA, this has resulted in infrastructure deteriorating at a faster rate than if repairs and maintenance were performed on a timely schedule. The CDVA additionally notes that redirection of OE&E funding to meet nursing shortage costs has only exacerbated the shortage of resources available for repair and maintenance projects.

As mentioned above, the vast majority of the resources requested are proposed to address aging infrastructure at VHC-Y, where the average building is over 70-years old. With 120 buildings (1.2 million square feet of floor space), 8 miles of roads, 6 miles of sidewalks, and 35 miles of plumbing, the CDVA estimates the current cost to address all deferred repair and maintenance would be between \$30 and \$50 million dollars. However, many of the home’s major needs will have to go through a capital outlay process and will be a part of the ongoing maintenance and repair program that will come out of the study alluded to above. According to the CDVA, this request reflects the resources necessary to perform only the repairs and maintenance immediately necessary, including but not limited to:

- VHC-Y: (1) roof repair; (2) sidewalk maintenance; (3) interior and exterior building maintenance; (4) fire life safety improvements; (5) power and energy management; and (6) asbestos removal
- VHC-CV: improvements to wheelchair ramps

Although the CDVA makes the case that substantial repair and maintenance is needed, particularly at VHC-Y, staff notes that this request does not present an explicit maintenance schedule tied to the level of dollars or staffing requested.

Questions:

1. If the repair and maintenance identified in this request is high priority and necessary to protect the health and safety of veterans’ home residents, why wasn’t this proposal part of the Governor’s Budget?
2. How did the CDVA prioritize the repairs to be funded under this request versus those that will be deferred to a future time, and why should the Legislature not wait until the VHC-Y infrastructure study is complete and there is a comprehensive repair and maintenance plan before funding these expenditures?

Staff Recommendation: HOLD OPEN until after the May Revise so that the CDVA may provide additional information on the proposed repairs and the Legislature will have a clearer picture of the state of the General Fund.

VOTE:

CDVA Issue 4: Finance Letter – Salary Increase for Mental Health Personnel

The CDVA requests \$1.2 million ongoing General Fund to increase salaries for certain mental health professionals serving at California Veterans' Homes to make them more competitive with Department of Corrections and Rehabilitation (CDCR) salary rates for the same classifications. CDCR medical personnel received a significant pay increase as a result of recent court decisions (*Plata*, *Coleman*, and *Perez*) and this request is intended to help the CDVA recruit and retain similar personnel serving California veterans, including psychiatrists, psychologists, social workers, therapists, and Chiefs of Medicine.

Staff Comments: According to the CDVA, the Department of Personnel Services has approved the proposed increases for all of the non-CDCR departments (including the Department of Mental Health and the Department of Developmental Services who have made similar spring requests for mental health professional classifications). However, staff notes that the increases are still subject to union negotiations and Memorandum of Understanding approval.

Staff additionally notes that this request reflects only the Coleman positions currently filled and not all of the CDVA's authorized Coleman positions. Therefore, an additional request of unknown magnitude will be necessary to fully fund the requested increase across all authorized positions within the Coleman classifications. The CDVA indicates a May Revise request will be forthcoming to address this need.

Staff Recommendation: HOLD OPEN pending May Revise salary increase request for authorized but unfilled mental health personnel.

VOTE:

CDVA Issue 5: Finance Letter – Salary Increase for Medical Services Personnel

The CDVA requests \$86,000 ongoing General Fund to increase salaries for particular medical professional classifications serving at California Veterans' Homes to make them more competitive with Department of Corrections and Rehabilitation (CDCR) salary rates for the same classifications. As noted above (Issue 5), CDCR mental health personnel received a significant pay increase as a result of recent court decisions and this request is intended to help the CDVA recruit and retain personnel serving California veterans, including physical and occupational therapists, speech pathologists, and respiratory care staff.

Staff Comments: According to the CDVA, all of the classifications included in this BCP are the remaining healthcare professional classifications, outside of the *Plata*, *Coleman* and *Perez* decisions, whose salary ranges are not competitive with the current prevailing market rates and in some situations, far below the private sector rates. The CDVA indicates not all required data has been provided to the Department Personnel Administration (DPA), but the CDVA is currently obtaining the appropriate information

from the Homes and anticipates meeting with DPA staff before the budget is signed to provide the necessary substantiation.

As the agency with the perspective and expertise to evaluate the necessity and likely impact of salary increase proposals, staff notes concern that the requested increase has not yet received DPA approval.

Questions:

1. What is the current pay disparity between the CDVA and Corrections for the classifications affected by this request? (A representative example will suffice.) Would this request close the pay gap entirely?
2. How did the CDVA prepare this request if it is still in the process of collecting data from the Homes for DPA?
3. What is the case the CDVA plans to make to DPA? For example, based on the pay differential just noted, how has CDVA recruitment and retention been adversely impacted?
4. In the absence of DPA-approval, what was the basis for the Department of Finance approving this request?

Staff Recommendation: HOLD OPEN pending additional information on CDVA discussions with the DPA.